

## Message Text

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12

ACTION EUR-12

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 5091

USDOC WASHDC

UNCLAS BUDAPEST 0203

EO 11652: N/A

TAGS: BEXP HU

SUBJECT: NEW HUNGARIAN-AMERICAN COOPERATION AGREEMENT: KATY  
INDUSTRIES, INC.

1. COMMERCIAL ATTACHE MET JANUARY 21 WITH MELVAN M. JACOBS,  
CHAIRMAN EXECUTIVE COMMITTEE, KATY INDUSTRIES, INC. (135  
SOUTH LASALLE STREET, CHICAGO, ILL. 60603) TO DISCUSS FIRM'S  
PLANS FOR COOPERATION AGREEMENT WITH HUNGARIAN MAJOR  
SHOE MANUFACTURER MINOSEGI AND FTO TANNIMPEX.

2. ACCORDING TO JACOBS, ARRANGEMENTS WITH HUNGARIANS HAVE  
PROGRESSED RAPIDLY AND KATY INDUSTRIES NOW PLANS TO SIGN  
CONTRACT JAN 24 WITH TANNIMPEX AND MINOSEGI FOR THREE-PHASE  
PROJECT CONSISTING OF (A) SHOE MACHINERY AND EQUIPMENT  
TOTALING ABOUT \$1.5 MILLION U.S. OF WHICH APPROX \$400,000  
WILL COME FROM U.S. WITH BULK OF REMAINDER FROM WEST GERMANY  
AND ITALY; (B) KATY KNOW-HOW PACKAGE TOTALING \$1 MILLION  
WHICH WILL GO DIRECTLY TO U.S. FIRM (20 PERCENT PAYMENT  
ON APPROVAL PLUS ADDITIONAL 10 PERCENT EVERY THREE MONTHS);  
(C) KATY PURCHASES OF WOMEN'S SHOES FOR SALE TO FIRMS  
SUCH AS SEARS AND ALEXANDERS WITH QUANTITIES INCREASING  
FROM 500,000 PAIR DURING FIRST YEAR TO TWO MILLION PAIR  
IN SEVENTH YEAR.

3. KATY WILL HOLD EXCLUSIVE WESTERN RIGHTS FOR ALL ITS  
SHOES MANUFACTURED BY MINOSEGI. HUNGARIANS WILL BE  
REQUIRED TO PAY STIFF ROYALTY IF THEY SELL KATY SHOES IN  
THIRD WESTERN COUNTRIES, THOUGH SALES TO OTHER CEMA  
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COUNTRIES ENCOURAGED.

4. BOTH JACOBS AND HUNGARIANS WELL PLEASED WITH PROSPECTS OF THIS PROJECT. KATY WILL INSTALL ITS EQUIPMENT IN EXISTING FACTORY AT SZIGETVAR (SOUTHWESTERN HUNGARY) USING AMERICAN TECHNICIANS.

5. IN SEPARATE BUT RELATED DEAL, KATY WILL ANNUALLY PURCHASE FROM TANNIMPEX TWO TO FOUR MILLION SQUARE FEET QUALITY HUNGARIAN LEATHER FOR DIRECT SHIPMENT TO ASIAN CUSTOMERS.

6. EMBASSY WILL REPORT FURTHER DEVELOPMENTS.  
MCAULIFFE

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